

## Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-07  
SP-02 SS-15 STR-07 TRSE-00 ACDA-12 DOEE-00 XMB-02  
HA-05 /135 W

-----035613 071016Z /15

P 070850Z APR 78

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 7997

C O N F I D E N T I A L JAKARTA 4533

FOR EA DEPUTY ASSISTANT SECRETARY HEGINBOTHAM AND AID ASST.  
ADMINISTRATOR SULLIVAN FROM MASTERS

E.O. 11652: GDS

TAGS: EAID, ENRG, ID

SUBJECT: EXPORTS, ENERGY AND AID

REF: (A) JAKARTA 4287, (B) STATE 82633, (C) STATE 81066,  
(D) JAKARTA 2156, (E) STATE 190819

1. REF D WAS OUR ATTEMPT AT AN IMAGINATIVE RESPONSE TO  
PRESIDENT'S MESSAGE URGING SUPPORT FOR U.S. EXPORTS (REF E).  
WE PROPOSED THAT ONE USAID LOAN, TECHNICAL ASSISTANCE/CON-  
SULTING SERVICES BE EXPANDED FROM \$5 MILLION TO \$10 MILLION  
WITH EXPANSION TO BE FINANCED FROM SECTION 106 (SELECTED  
DEVELOPMENT PROBLEMS) SO AS TO AVOID DEBATE OVER APPLICATION  
OF AID'S CONGRESSIONAL MANDATE AND BASIC HUMAN NEEDS CRITERIA  
TO THE FINANCING OF STUDIES AND DESIGN WORK FOR HIGH PRIORITY  
DEVELOPMENT PRJLECTS OUTSIDE THE MANDATE AREAS FOR WHICH THERE ARE  
STRONG EXPRESSIONS OF INTEREST BY THE INTERNATIONAL BANKS IN  
PROVIDING FINANCING. IT WAS OUR THOUGHT THAT BY USING THIS  
\$5 MILLION EXPANSION AS SEED MONEY TO BE SPENT FOR FEASI-  
BILITY

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STUDIES AND DESIGN WORK WE COULD PUT U.S. ENGINEERING  
FIRMS IN A MORE ADVANTAGEOUS POSITION TO BID ON  
MAJOR INFRASTRUCTURE PROJECTS TO BE FINANCED BY THE IFI'S,  
AND THAT SUCCESSFUL BIDDING BY U.S. ENGINEERING FIRMS  
WOULD, IN TURN, CREATE OPPORTUNITIES FOR U.S. SUPPLIERS  
OF CAPITAL EQUIPMENT.

2. REF B, WHICH CONCERNED ENERGY INITIATIVES FOR THE VICE PRESIDENT'S VISIT, SUGGESTED THAT THE U.S. MIGHT HELP TO IDENTIFY NEW COAL RESOURCES AND ANALYZE PROBLEMS OF COAL DEVELOPMENT. AID FINANCING FOR SUCH A PROGRAM COULD BE AN IMPORTANT ELEMENT IN FOSTERING INDONESIAN DEVELOPMENT, INTERNATIONAL ENERGY COOPERATION, AND OUR COMMERCIAL INTERESTS.

3. REF C, IN MY VIEW, MISSES THE ESSENTIAL POINT WE WERE TRYING TO CONVEY. IT STATES THAT "STUDIES FINANCED BY AID MUST BE FOR ACTIVITIES OF A NATURE WHICH WOULD LATER QUALIFY FOR AID FINANCING (EVEN IF THE PROJECT IS EVENTUALLY FINANCED BY OTHER DONORS)." IT FURTHER RAISES QUESTIONS AS TO WHETHER SUCH ACTIVITIES COULD BE APPROVED IN CONTEXT OF SECTION 116 (SECTION DEALING WITH GROSS AND CONSISTENT VIOLATORS OF HUMAN RIGHTS) AND PROCEDURES FOR REVIEW OF PROJECTS' HUMAN RIGHTS CONSIDERATIONS. LATTER OBJECTION SEEMS TO THROW IN SPONGE PREMATURELY. FORMER OBJECTION IS THE HEART OF THE MATTER, AND IT SEEMS TO ME THAT THIS DOES A DISSERVICE TO THE PRESIDENT'S DIRECTIVE AND MISSES A GOOD OPPORTUNITY TO SUPPORT U.S. EXPORTS AT A RATHER SMALL COST.

4. WE DO NOT SEEK TO TURN AID INTO AN EXPORT PROMOTING AGENCY OR TO CIRCUMVENT HUMAN RIGHTS CRITERIA AND THE CONGRESSIONAL MANDATE. WE THINK OUR PROPOSAL DOES

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NEITHER OF THESE THINGS AND ADVANCES U.S. POLICY INTERESTS IN A NUMBER OF FIELDS. FOR EXAMPLE, AID-FINANCED FEASIBILITY STUDIES IN SUCH FIELDS AS COAL DEVELOPMENT, COAL USE (GASIFICATION, LIQUIFICATION, ETC.), NATURAL GAS USE, GEOTHERMAL DEVELOPMENT, AND HYDROPOWER, SUCH AS THE VICE PRESIDENT MIGHT PROPOSE WOULD SERVE OUR PURPOSES IN PROMOTING INTERNATIONAL ECONOMIC COOPERATION. THOSE PROJECTS THAT SHOWED PROMISE COULD PRESUMABLY ATTRACT IFI FINANCING, AND IF U.S. COMPANIES HAD PERFORMED THE FEASIBILITY STUDY, OTHER U.S. FIRMS WOULD BE IN A STRONG POSITION TO BID FOR PROJECTS THAT WOULD DEVELOP OUT OF THIS EFFORT.

5. I AM SENDING LETTER WHICH EXPLAINS SOMEWHAT ON MY THINKING, BUT IN VIEW OF IMMINENCE OF VICE PRESIDENT'S VISIT AND THE POSSIBLE TIE-IN OF OUR SUGGESTED PROGRAM WITH ENERGY COOPERATION, I WANTED YOU TO HAVE THIS MESSAGE FOR YOUR ACTION.  
MASTERS

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, ENERGY, ECONOMIC ASSISTANCE, NEGOTIATIONS, TRADE AGREEMENTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 07 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978JAKART04533  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D780150-0552  
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**Message ID:** 62a1d4b4-c288-dd11-92da-001cc4696bcc  
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**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Reference:** 78 JAKARTA 4287, 78 STATE 82633, 78 STATE 81066, 78 JAKARTA 2156, 78 STATE 190819  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
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**Review Event:**  
**Review Exemptions:** n/a  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
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**SAS ID:** 3044034  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** EXPORTS, ENERGY AND AID  
**TAGS:** EAID, ENRG, ID  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
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